

All Cap – 2Q 2010



Jay R. Leopold, CFA
Portfolio Manager

Strategy:

All Cap

Inception of Style:

December 1, 1999

Assets Under Management:

\$431 million

Account Minimum:

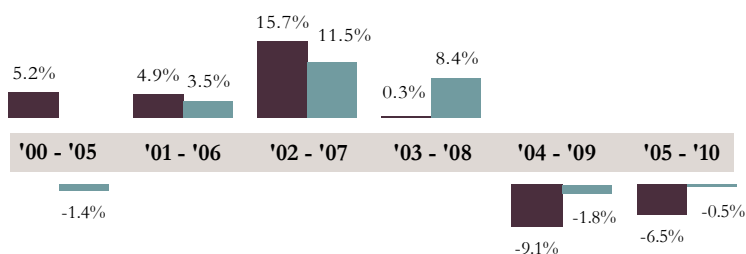
\$10 million

Objective:

All Cap seeks to provide investors with long-term growth of capital through ownership of a diversified portfolio of undervalued securities without specific market capitalization parameters.

PERFORMANCE

Annualized Five-Year Performance¹



■ LCMC All Cap Composite (Gross of Fees)

■ Russell 3000 Index

	2Q 2010	1 Year	3 Years	5 Years	10 Years	Since Inception ²
All Cap (Gross of Fees)	-11.64%	24.82%	-15.38%	-6.49%	-0.81%	-0.80%
All Cap (Net of Fees)	-11.82%	23.86%	-16.05%	-7.22%	-1.49%	-1.47%
Russell 3000 Index	-11.32%	15.72%	-9.47%	-0.48%	-0.92%	-0.20%

For more information, please contact:

1.866.410.5500 • www.lmcm.com

PORTFOLIO CHARACTERISTICS

Price to Earnings Ratio (Current Year Forecast EPS)	10.8x
Price to Book Value Ratio	1.7x
Price to Sales Ratio	1.0x
L.T. EPS Growth Forecasted	11.5%
Weighted Average Market Cap. (\$B)	\$35.04 B
Weighted Median Market Cap. (\$B)	\$13.90 B

Source: FactSet Portfolio Analytics

SECTOR BREAKDOWN

	LMCM All Cap	Russell 3000
Technology	24.94%	16.55%
Financial Services	18.24%	18.10%
Producer Durables	16.38%	11.55%
Consumer Discretionary	16.35%	12.50%
Health Care	10.33%	12.26%
Energy	6.34%	9.98%
Utilities	4.15%	6.22%
Consumer Staples	3.17%	8.51%
Cash	0.10%	0.00%
Materials & Processing	0.00%	4.33%

TOP TEN HOLDINGS BY ISSUER

EMC Corporation	4.09%
International Business Machines Corp.	3.96%
The AES Corporation	3.38%
Micron Technology, Inc	3.30%
Texas Instruments Incorporated	2.81%
Red Hat, Inc	2.79%
Assured Guaranty Ltd.	2.61%
Time Warner Inc	2.40%
3M Co.	2.13%
Merck & Co., Inc	2.04%

Legg Mason Capital Management
All Cap Composite
Performance Disclosure

Period Ending December 31	Composite Assets		Total Firm Assets at Period End (millions)	Accounts at Period End	Asset-Weighted Annual Returns		Russell 3000 Index	Composite Dispersion
	U.S. Dollars (millions)	% of Legg Mason Capital Management Assets			Gross of Fees	Net of Fees		
2010 ¹	\$431	3%	\$14,769	Five or fewer	-6.48%	-6.85%	-6.05%	N.A.
2009	504	3%	17,169	Five or fewer	56.29%	55.11%	28.34%	N.A.
2008	375	3%	14,903	Five or fewer	-50.60%	-51.01%	-37.31%	N.A.
2007	1,058	2%	59,679	Five or fewer	-12.02%	-12.71%	5.14%	N.A.
2006	912	1%	67,911	Five or fewer	8.62%	7.79%	15.72%	N.A.
2005	1,409	2%	60,232	Five or fewer	3.16%	2.36%	6.12%	N.A.
2004	998	2%	48,856	Five or fewer	16.87%	16.26%	11.95%	N.A.
2003	140	<1%	35,179	Five or fewer	50.88%	50.04%	31.06%	N.A.
2002	73	<1%	20,362	Five or fewer	-19.36%	-19.87%	-21.54%	N.A.
2001	91	<1%	23,971	Five or fewer	-4.81%	-5.37%	-11.46%	N.A.
2000	95	<1%	22,866	Five or fewer	-7.62%	-8.15%	-7.46%	N.A.

¹As of 06/30/10

N.A. – Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

- The All Cap composite is comprised of discretionary accounts with no material investment restrictions, which invest primarily in domestic equity securities and are not managed according to specific market capitalization parameters. As of October 1, 2005, the composite includes accounts with a minimum market value of \$10 million. From May 1, 2004 through September 30, 2005, the composite contains only accounts with a minimum market value of \$25 million. Prior to that, the minimum was \$50 million. Neither leverage nor derivatives are used in this composite. No balanced portfolio segments are included in this composite.
- Gross and net of fee performance results for All Cap: (a) include the reinvestment of all dividends, interest, and capital gains; and (b) were computed on a trade date (as opposed to a settlement date) basis. Prior to January 1, 2005, accounts in the All Cap composite were under management for at least three full months before being included. New discretionary accounts starting after January 1, 2005 are eligible to join the composite after one full month of performance. “Weighted” performance measures the average performance of all portfolios in the composite weighted by size. The U.S. dollar is the currency used to express performance. Effective August 1, 2005, portfolio returns are calculated daily using the Modified Dietz method. Previously, portfolio returns were calculated monthly using the Modified Dietz method. Additional information regarding policies for calculating and reporting returns is available upon request.
- The “gross” of fees performance figures reflect the day-weighted performance of assets (including cash reserves) managed for the period and do not reflect the deduction of our advisory fees, but do reflect the deduction of trading commissions and withholding taxes. The “net” of fees performance figures reflect the deduction of trading commissions, withholding taxes and, as of January 2005, represent the highest investment advisory fee payable by All Cap separate accounts according to our fee schedule. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. The following is our graduated fee schedule for an All Cap separate account: 0.78% on the first \$25 million under management; 0.68% on the next \$25 million under management; 0.48% on the next \$50 million under management; 0.43% on the next \$50 million under management; 0.38% on the next \$50 million under management; 0.33% for remaining amounts over \$200 million under management. Non-fee paying accounts are excluded from the composite.
- All Cap’s benchmark is the **Russell 3000® Index**. The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Russell 3000 Index is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are reflected. The **Russell®** indices are trademark services of the Frank Russell Company. **Russell™** is a trademark of the Frank Russell Company.
- The dispersion of annual returns is measured by the standard deviation of asset-weighted portfolio returns represented within the composite for the full calendar year.
- The All Cap composite was created December 1, 1999.
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- Legg Mason Capital Management has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). Legg Mason Capital Management has been verified for the periods January 1, 2004 through December 31, 2008 by Ernst & Young LLP. A copy of the verification report is available upon request. Legg Mason Capital Management has been verified for the periods January 1, 1988 through December 31, 2003 by Ashland Partners & Company LLP. A copy of the verification report is available upon request. Past investment results are not indicative of future investment results. To receive a complete list and description of Legg Mason Capital Management’s composites, please contact Jim Wilson at 1-866-410-5500, via email at jawilson@LMUS.leggmason.com, or write to Legg Mason Capital Management, 100 International Drive, Baltimore, Maryland 21202.

Legg Mason Capital Management

100 International Drive • Baltimore, MD 21202 • P: 1-866-410-5500 • F: 410-454-5372 • www.lmcm.com